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ORIGIN ARA-02

INFO OCT-01 STR-02 ISO-00 /005 R

66616

DRAFTED BY: ARA/ECP:MCAVILA

APPROVED BY: ARA/CEP:GROlsen

STR:BSTEINBOCK (SUBSTANCE)

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R 012208Z MAY 74

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS

USMISSION GENEVA

XMT AMEMBASSY CARACAS

AMEMBASSY MANAGUA

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FOLLOWING TEL SENT ACTION SECSTATE WASHDC, MANAGUA FROM
CARACAS APRIL 30:

QUOTE LIMITED OFFICIAL USE CARACAS 3811

E.O. 11652: N/A

TAGS: ETRD, VE

SUBJECT: SUMMARY REPORT OF AMBASSADOR EBERLE'S VISIT TO
CARACAS

FOLLOWING IS SUMMARY OF RESULTS APRIL 29 VISIT TO VENEZUELA
BY AMBASSADOR EBERLE AND HIS DELEGATION DRAFTED BY AMEMBASSY
CARACAS AND CLEARED BY DELEGATION.

SUMMARY. AMBASSADOR EBERLE AND U.S. DELEGATION MET
WITH DIRECTOR GENERAL OF INSTITUTE OF FOREIGN TRADE (ICE)
AND TECHNICAL LEVEL OFFICIALS OF MINISTRY OF COMMERCE (FOMENTO)
CENTRAL BANK, MINISTRY OF MINES AND HYDROCARBONS, MINISTRY
OF FINANCE (HACIENDA) AND NATIONAL PLANNING OFFICE (CORDIPLAN)
FOR TWO AND ONE-HALF HOURS BEGINNING AT 10:00 A.M. APRIL 29.
DISCUSSIONS WERE EXTREMELY LOW KEY WITH VENEZUELANS POSING
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PAGE 02 STATE 089564

VARIOUS TECHNICAL QUESTIONS BUT RESPONDING WITH RELATIVELY

LITTLE ANIMATION TO US TEAM PRESENTATION. SUBSEQUENTLY AMBASSADOR EBERLE MET BRIEFLY WITH MULTINATIONAL CORPORATION AND EXPORT PROMOTION COMMITTEE OF AMERICAN CHAMBER FOLLOWED BY MINISTERIAL-LEVEL LUNCHEON AT RESIDENCE OF AMBASSADOR. AMBASSADOR EBERLE ALSO CONFERRED WITH MINISTER OF FINANCE HECTOR HURTADO DURING COURSE OF COCKTAIL RECEPTION IN EVENING. PARTICIPATION BY VENEZUELAN AT MINISTERIAL LEVEL WAS CONSIDERABLY HAMPERED BY FACT THAT PRESIDENT PEREZ MADE MAJOR ECONOMIC AND SOCIAL POLICY SPEECH BEFORE CONGRESS WHICH HAD BEEN ABSORBING COMPLETELY ATTENTION OF ENTIRE GOVERNMENT FOR LAST TWO WEEKS. NEVERTHELESS AMBASSADOR EBERLE'S EXPLANATION TRA AND US POSITION MTN WAS EXTREMELY USEFUL AND APPRECIATED BY VENEZUELAN OFFICIALS. END SUMMARY.

1. AMBASSADOR EBERLE OPENED DISCUSSIONS AT ICE STATING HOPE THAT CONSULTATIONS WOULD LEAD TO CONCRETE RESULTS IN RELATIONS WITH LATIN AMERICA. HE SAID TRA WAS PASSED BY HOUSE OF REPRESENTATIVES BY TWO TO ONE VOTE AND IT IS EXPECTED BILL WILL BE PASSED BY SENATE THIS SUMMER AFTER DIFFICULT TIME IN CONGRESS. ADMINISTRATION OPPOSED TO JACKSON-VANNEK AMENDMENT WHICH RESTRICTS PREFERENCES AND CREDITS FOR USSR AND OTHER COMMUNIST COUNTRIES. PRESIDENT WOULD VETO BILL IF AMENDMENT REMAINS IN PRESENT FORM. CONCERNING RIBICOFF-MONDALE AMENDMENT, ADMINISTRATION FAVORS PART CALLING FOR MULTINATIONAL BASIS ON RULES OF GAME WITH RESPECT TO SHORT SUPPLY BUT IS AGAINST MANDATORY RETALIATION RESULTING FROM RESTRAINTS ON EXPORTS OF PRODUCTS.

2. AMBASSADOR EBERLE OUTLINED PROVISIONS OF TRA. IN RESPONSE TO QUESTION BY ICE AS TO WHETHER AUTHORITY UNDER TRA ON SHORTAGE OF MATERIALS IS NON-DISCRIMINATORY HE SAID US COULD RESPOND UNILATERALLY TO RESTRAINTS ON EXPORTS BY TAKING ACTION AGAINST COUNTRIES IMPOSING SUCH RESTRAINTS.

3. IN REFERENCE TO US LAW ON COUNTERVAILING DUTIES, EBERLE SAID US RECOGNIZES NEED FOR LEGITIMATE SUBSIDIES FOR LDC'S DESIGNED TO PROMOTE NEW PRODUCTION IN TRADE. IN THIS REGARD US URGES ESTABLISHMENT OF AN INTERNATIONAL CODE ON SUBSIDIES AND COUNTERVAILING DUTIES. AMBASSADOR EBERLE AND MR. SUCHMAN THEN OUTLINED THE PROCEDURES APPLYING UNDER THE COUNTER-LIMITED OFFICIAL USE

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PAGE 03 STATE 089564

VAILING DUTIES LAW.

4. AMBASSADOR EBERLE EXPLAINED IN DETAIL THE US SUPPORT FOR GENERALIZED SYSTEM OF PREFERENCES (GSP) AND ITS OBJECTIVES. HE SAID ADMINISTRATION EXPECTS TO SEND LIST OF MANUFACTURED AND SEMI-MANUFACTURED PRODUCTS TO CONGRESS SHORTLY. IT WILL ALSO SEND SELECTED LIST OF PRIMARY AND AGRICULTURAL PRODUCTS. SUBMISSION OF SUCH LISTS WILL OCCUR IMMEDIATELY FOLLOWING

PASSAGE OF TRA. FOR THIS PURPOSE THE VENEZUELAN SHOULD SUBMIT LIST OF MOST IMPORTANT EXPORT PRODUCTS INDICATING PRIORITIES AS SOON AS POSSIBLE AND NO LATER THAN END OF JUNE. DIRECTOR GENERAL OF FOREIGN TRADE INSTITUTE JESUS FERNANDEZ SAID VENEZUELA HAD BEEN WORKING ON LIST, HAD BEEN IN CONTACT WITH US AND IS AWARE OF DEADLINE.

5. IN RESPONSE TO QUESTION BY ICE DIRECTOR GENERAL FERNANDEZ AS TO WHETHER LDC DESIRING GSP MUST GRANT US MFN, DEPUTY ASISTANT SECRETARY OF STATE RENNER SAID THERE ARE TWO MANDATORY REQUIREMENTS: (1) GSP WOULD BE GRANTED ONLY TO THOSE COUNTRIES THAT ALREADY HAVE MFN; AND (2) BENEFICIARY COUNTRIES MAY NOT GRANT REVERSE PREFERENCES. UNDER EXCHANGE OF NOTES DATED JUNE 26, 1972, VENEZUELA AND U.S. MUTUALLY GRANTED MFN TREATMENT.

6. FERNANDEZ OBSERVED THAT TARIFF OBSTACLES ARE NOT NECESSARILY MOST IMPORTANT. HE SAID MONETARY FLUCTUATIONS HAVE RESULTED IN EFFECTIVE TARIFF INCIDENCE BEING SAME NOW AS PRIOR TO KENNEDY ROUND OF TARIFF NEGOTIATIONS. FERNANDEZ SAID THAT NON-TARIFF BARRIERS (NTB'S) ARE A GREATER PROBLEM THAN TARIFFS AND HE WONDERED WHETHER LIBERALIZATION OF NTB'S WOULD BE SUFFICIENT TO STIMULATE COMMERCE OF LDC'S TOWARDS US.

7. AMBASSADOR EBERLE RESPONDED THAT U.S. HOPES THAT MTN WILL SUBSTANTIALLY REDUCE NTB AS WELL AS RECOGNIZE SPECIAL PROBLEMS OF LDC'S. TARIFFS REMAIN A MAJOR DETERRENT TO TRADE IN A NUMBER OF COUNTRIES. ON AN AVERAGE THEY ARE LOW BUT SOME ARE HIGH ENOUGH THAT THEY REMAIN AS IMPEDIMENTS TO TRADE. MONETARY FLUCTUATIONS HAVE NOT HAD A GENERAL IMPACT ON TRADE. FOR EXAMPLE IN TERMS OF TRADE VALUE OF US DOLLAR IN RELATION TO FRENCH FRANC IS NOW GREATER THAN BEFORE KENNEDY ROUND.

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PAGE 04 STATE 089564

8. AMBASSADOR EBERLE URGED VENEZUELA TO PARTICIPATE IN MTN IN ORDER THAT VOICE OF LATIN AMERICA BE HEARD, LEST AFRICAN AND ASIAN COUNTRIES WHO ARE BETTER ORGANIZED RECEIVED MORE ATTENTION. U.S. NEEDS TO KNOW VENEZUELA'S PRIMARY INTEREST IN SPECIFIC PRODUCTS AND ISSUES, NOT GENERALITIES. FERNANDEZ SAID VENEZUELA HOPES TO TAKE ACTIVE PART IN MTN AND IS STUDYING MEANS BY WHICH NON-MEMBERS OF GATT CAN PARTICIPATE. HE RECOGNIZED NEED FOR VENEZUELA TO PARTICIPATE ACTIVELY, NOTING LOW PARTICIPATION OF OTHER LATIN AMERICAN COUNTRIES WHICH AT PRESENT INCLUDE ONLY ANDEAN COUNTRIES AND ONE OR TWO OTHERS. IN RESPONSE TO ICE QUESTION RE TRANSFER OF TECHNOLOGY AMBASSADOR EBERLE NOTED THAT MOST US TECHNOLOGY IS TRANSFERRED THROUGH PRIVATE INVESTMENT AND THAT ONLY GOVERNMENT TECHNOLOGY INVOLVED IS THAT OF AEC AND NASA. ADMINISTRATION IS OPPOSED TO US LABOR VIEW WHICH SAYS THAT TECHNOLOGY EXPORT SHOULD BE

RESTRICTED. HE NOTED THAT ONLY COMPANIES HAVING INVESTMENT POSSIBILITIES BRING ALONG SO CALLED "UNWRITTEN" TECHNOLOGY. WHILE US GOVERNMENT RECOGNIZES NATIONALISTIC ASPIRATIONS OF LDC'S, PRECIPITIOUS ACTION INVOLVING INVESTMENT SHOULD NOT BE TAKEN PRIOR TO DISCUSSION. WHILE GOVERNMENT UMBRELLA CAN FACILITATE TRANSFER OF TECHNOLOGY, IN FINAL ANALYSIS PRIVATE INVESTMENT IS MAIN VEHICLE FOR TRANSFER.

9. IN RESPONSE TO QUESTION FROM ICE ABOUT AGREEMENT ON UNIT OF VALUE FOR TRADE NEGOTIATIONS, AMBASSADOR EBERLE SAID U.S. HAS NO POSITION. THERE IS DIFFICULTY IN RECONCILING A UNIT OF VALUE BETWEEN GATT AND IMF. DEPUTY ASSISTANT SECRETARY FOX NOTED THAT WHILE EC HAS RAISED QUESTION THEY HAVE NO ANSWER EITHER. IN RESPONSE TO FERNANDEZ QUESTION CONCERNING US-EUROPEAN DIFFERENCES RE COMMON AGRICULTURAL POLICY (CAP), AMBASSADOR EBERLE SAID THAT VENEZUELAN PARTICIPATION IN NEGOTIATIONS COULD HELP MODERATE SUCH DIFFERENCES. HE NOTED PARENTHETICALLY THAT RECENT INFLATION IS CAUSING SOME EC MINISTERS TO CONSIDER MORE IMPORTS OF AGRICULTURAL PRODUCTS AS MEANS OF COMBATTING SUCH PRESSURES. THE UK DESIRES AND WILL WANT TO RENEGOTIATE CAP WHICH PROVIDES GOLDEN OPPORTUNITY TO US AND LATIN AMERICA TO ACHIEVE A MODIFICATION IN CAP. DISCUSSIONS AT ICE WERE CONCLUDED WITH BOTH SIDES NOTING USEFULNESS OF AMBASSADOR EBERLE'S BRIEFING AND VENEZUELAN RESPONSIBILITY ON COMING MTN.

10. IN HIS BRIEF VISIT WITH AMERICAN CHAMBER OF COMMERCE LIMITED OFFICIAL USE

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MEMBERS, AMBASSADOR EBERLE NOTED THE POINT HE MADE TO THE ICE ABOUT THE CONNECTION BETWEEN THE TRANSFER OF TECHNOLOGY AND PRIVATE INVESTMENT. HE MADE A BRIEF SUMMARY OF SOME OF THE OTHER POINTS DISCUSSED AT THE ICE. AFTER AMBASSADOR EBERLE DEPARTED MR. NEW DELMAN GAVE GROUP BRIEF BUT THOROUGH BRIEFING ON MTN AND STR'S STRUCTURE FOR THOROUGH CONSULTATION WITH PRIVATE SECTORS. ASKED WHETHER VENEZUELA WITH ITS LARGE OIL REVENUES WOULD STILL BE CONSIDERED A LDC, MESSRS. NEW DELMAN AND KNEPPER SAID THERE IS NO CLEAR YARDSTICK BUT IT PROBABLY WOULD BE. WHEN ASKED WHETHER TARIFF CONCESSIONS TO LDC'S WOULD BE ONE-SIDED OR RECIPROCAL, MR. NEW DELMAN SAID SOME CONCESSIONS COULD BE EXPECTED ON THE PART OF LDC'S, PARTICULARLY COUNTRIES SUCH AS VENEZUELA.

11. SEVERAL CHAMBER MEMBERS COMMENTED THAT THEY BELIEVE VENEZUELA'S RELATION WITH THE ANDEAN PACT WOULD MAKE IT IMPOSSIBLE FOR IT TO NEGOTIATE TARIFFS, THAT NEGOTIATIONS WOULD HAVE TO BE BY THE ANDEAN PACT REPRESENTATIVE.

12. AT SEVERAL POINTS IN MEETING CHAMBER EMPHASIZED THAT TECHNOLOGY TRANSFER IN FAVOR OF FOREIGN INVESTMENT HAS LITTLE FORCE NOW WITH VENEZUELA BECAUSE THEY BELIEVE THEY CAN AFFORD TO BUY TECHNOLOGY WITH THEIR PRESENT OIL REVENUES.

13. DETAILED MEMORANDA OF CONVERSATION COVERING THE ICE
MEETING AND THE AMERICAN CHAMBER OF COMMERCE MEETING
ARE BEING TRANSMITTED TO WASHINGTON. MCCLINTOCK UNQUOTE
RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, LESS DEVELOPED COUNTRIES, BUSINESSMEN, TRADE VISITS, COUNTERVAILING DUTIES, EXPORT SUBSIDIES, GENERALIZED PREFERENCES (TARIFFS), TARIFF NEGOTIATIONS, TECHNOLOGICAL EXCHANGES, PRIVATE INVESTMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE089564
Document Source: CORE
Document Unique ID: 00
Drafter: ARA/ECP:MCAVILA
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740104-1109
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740582/aaaacvkb.tel
Line Count: 228
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN ARA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 20 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <20 JUN 2002 by elyme>; APPROVED <15 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SUMMARY REPORT OF AMBASSADOR EBERLE'S VISIT TO CARACAS
TAGS: ETRD, VE, US, (EBERLE, WILLIAM)
To: ALL POSTS MULTIPLE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005